

Thursday, 8th June 2017

Morning Round Up

Not so Popular, but Santander comes to the rescue

Banco Santander yesterday agreed to buy its struggling domestic rival Banco Popular for a nominal price of €1. Santander will raise up to €7bn in fresh capital to rebuild the balance sheet of Banco Popular which is crippled with up to €37bn of non-performing property loans. The 'deal' is the first test of the euro-zone bank rescue regime which was agreed following the regions banking crisis and marks a new era of bank bailouts compared to the previous chaotic government funded bailouts which saddled nations with significant debt burdens. The success of the Banco Popular bailout was reflected in the European banking sector which hardly budged - a far cry from the volatility caused by bailouts of not so long ago.

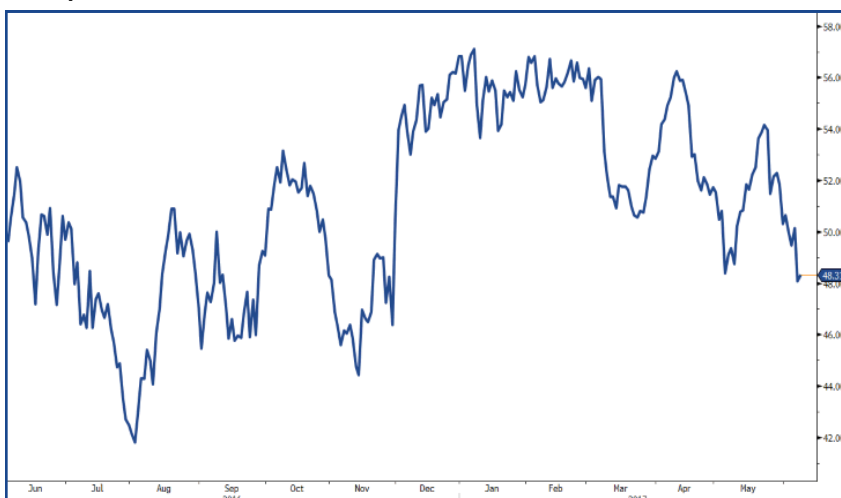
Irish banks receive Moody's ratings boost

The Irish banking system received a welcome boost from ratings agency Moody's yesterday ahead of the upcoming sale of a 25% stake in AIB by the Government. Both AIB and Bank of Ireland saw the ratings for their long-term bank deposit and debt ratings increased with both ratings being increased by one notch to Baa2 and Baa1 respectively. Moody's stated that the move to upgrade was based on "a range of factors, including further reduction in non-performing loans, improved capital ratios and achievement of stable core profitability".

Crude Realities- Rising US stock piles weigh

Crude oil suffered its largest one-day fall in over three months declining by almost 4% as an unexpected rise in US petroleum stocks impacted. Crude oil stocks in commercial storage increased by 3.3m barrels compared to an expected draw-down of 3m barrels. This swell in reserves highlights the impact of increasing US shale production which continues to more than outweigh the impact of the recently extended OPEC production cuts.

Oil - price chart



Key Upcoming Events

- 08/06/17 - UK General Election
- 08/06/17 - ECB meeting
- 13/06/17 - Fed Meeting

Market View

Markets maintain their recent cautious tone ahead of three key events today. The ECB Governing Council meets and it is expected that Mario Draghi will re-affirm the need for maintaining the current accommodative monetary policy measures however he may remove the reference to 'downside risks'. Also today former FBI Director Comey testifies, however a pre-released text of his opening comments have somewhat reduced the political impact of his testimony. Finally, voting has commenced in the UK election with mixed opinion poll readings creating a sense of nervousness about the outcome which was not anticipated when the election was first called. Ahead of vote, sterling has rallied modestly to 0.8680 suggesting a victory for Mrs. May with a slightly improved majority from the current 17 seats.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	21136	37.46	0.18%	6.95%
S&P	2429	3.81	0.16%	8.51%
Nasdaq	6275	22.32	0.36%	16.57%

Nikkei	19,985	-75.36	-0.38%	4.55%
Hang Seng	26,058	83.89	0.32%	18.44%

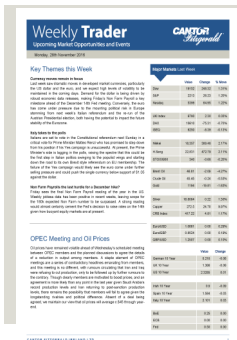
Brent Oil	49.91	0.46	0.96%	-12.16%
WTI Oil	47.87	0.37	0.81%	-10.89%
Gold	1292	-0.81	-0.06%	12.59%

€/\$	1.1252	-0.0005	-0.04%	6.99%
€/£	0.8728	-0.0012	-0.13%	2.26%
£/\$	1.2908	0.0010	0.08%	4.60%

	Yield	Change
German 10 Year	0.28%	0.009%
UK 10 Year	1.01%	0.010%
US 10 Year	2.19%	0.016%

Irish 10 Year	0.74%	0.001%
Spain 10 Year	1.55%	-0.021%
Italy 10 Year	2.28%	-0.019%

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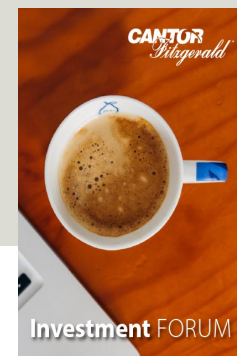
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